

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8238

INFO AMEMBASSY OSLO

AMCONSUL EDINBURGH

USMISSION OECD PARIS

C O N F I D E N T I A L LONDON 02256

E.O. 11652: GDS

TAGS: ENRG, UK

SUBJECT: HMG SHAREHOLDING IN BRITISH PETROLEUM AND

BURMAH: LABOR PARTY HOME POLICY COMMITTEE RECOMMENDATIONS

BEGIN UNCLASSIFIED

1. LABOR PARTY HOME POLICY COMMITTEE, CHAIRED BY SECSTATE FOR INDUSTRY WEDGEWOOD BENN, RECOMMENDED ON FEBRUARY 10 THAT GOVERNMENT SHOULD TAKE SUBSTANTIAL DIRECT STAKE IN BURMAH OIL AND SHOULD TREAT BRITISH PETROLEUM FROM NOW ON AS PART OF PUBLIC SECTOR. IT WAS AGREED THAT SMALL DELEGATION FROM COMMITTEE SHOULD SEEK MEETING WITH MINISTERS CONCERNED (VARLEY, LEVER AND DELL) TO FIND OUT MORE ABOUT GOVERNMENT'S THINKING.

2. POLICY COMMITTEE REPORT WAS PREPARED FOLLOWING HMG ANNOUNCEMENT THAT, AS PART OF BURMAH RESCUE OPERATION, BANK OF ENGLAND HAD BOUGHT BURMAH'S 20.6 PERCENT SHAREHOLDING IN BRITISH PETROLEUM, BRINGING COMBINED PUBLIC SECTOR STAKE IN BP TO ALMOST 69 PERCENT. (HMG TREASURY HAS LONG SINCE OWNED 48.2 PERCENT OF BP STOCK.) REPORT
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NOTED THAT DESPITE 69 PERCENT HOLDING, HMG WAS NOT PLAN-

NING TO EXERCISE A GREATER PROPORTIONATE VOTING POWER IN RELATION TO OTHER BP SHAREHOLDERS THAN IT PREVIOUSLY HAD DONE. REPORT ALSO NOTED THAT ALTHOUGH HMG HAD TAKEN 51 PERCENT OF BURMAH'S NORTH SEA OIL INTEREST, NO ANNOUNCEMENT HAD BEEN MADE ABOUT ANY FURTHER STAKE IN BURMAH DESPITE STATE HAVING TO RISK 280 MILLION POUNDS TO GUARANTEE COMPANY LOANS.

3. REPORT SAID IT WAS NOT ENTIRELY CLEAR WHAT GOVERNMENT HAD IN MIND ABOUT DISPOSAL OF ADDITIONAL 20.6 PERCENT STAKE IN BP, BUT IT WOULD SEEM APPROPRIATE IN LIGHT OF POLICY COMMITMENTS THAT IT SHOULD REMAIN IN PUBLIC SECTOR.

4. HOME POLICY COMMITTEE'S RECOMMENDATION WILL BE CONSIDERED AT NEXT MEETING OF LABOR PARTY'S NATIONAL EXECUTIVE. END UNCLASSIFIED

5. IN CONVERSATION ON DAY PREVIOUS TO RELEASE OF HOME POLICY COMMITTEE REPORT, JOHN LIVERMAN (DEPSEC, DEPARTMENT OF ENERGY) AND PETER WALTERS (MANAGING DIRECTOR, BP) COMMENTED SEPARATELY TO ENERGY ATTACHE THAT PROBABILITY WAS BANK OF ENGLAND'S 20.6 PERCENT SHAREHOLDING IN BP ULTIMATELY WOULD BE SOLD TO INSTITUTIONAL INVESTORS. BOTH OFFICIALS THOUGHT EFFORTS OF LEFT WING OF LABOR PARTY TO BRING BP UNDER DIRECT HMG CONTROL WOULD FAIL.

SPIERS

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